

2010

Form 1065ME/1120S-ME
MAINE INFORMATION RETURN
PARTNERSHIPS & S CORPORATIONS

Do not submit photocopies of this form. Do not use red ink.



1000800

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For tax period 01/01/10 to 12/31/10 or

 / / 2010 to / /

Federal Employer ID Number

Name of Partnership or S Corporation

Address of Partnership or S Corporation

City, Town or Post Office State ZIP Code Year Business Started Business Code

Identifying Number of Tax Matters Person Tax Matters Partner/Person Telephone Number

TYPE OF ENTITY: (one box must be checked)

CHECK ANY OF THE FOLLOWING IF APPLICABLE:

☐ S Corporation ☐ Partnership ☐ First filing ☐ Amended return ☐ Final return ☐ Change of name

1. Number of partners, shareholders or members who are: a. Full-year Resident individuals/estates/trusts:
b. Nonresident/part-year individuals/estates/trusts: c. All other partners/shareholders/members:
- All entities, regardless of the number of partners/shareholders, are required to send pages 1-5 of federal Form 1065 or pages 1-4 of federal Form 1120S with this return. **DO NOT SEND FEDERAL SCHEDULES K-1.**

2. Check if you are filing a composite return for nonresident partners/shareholders/members. ☐
- 2a. If yes, indicate how many nonresident partners/shareholders are included in the composite filing.
See Schedule 1040C for composite filing instructions2a.

- | | Yes | No |
|---|-------------------------------------|--------------------------|
| 3. | | |
| a. Has there been a sale or transfer of ownership interest during the period reported on this tax return or a technical termination pursuant to IRC § 708? | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Has the IRS audited the returns, or made any adjustments to the taxable income, as originally reported by this entity for any of the prior six years? | <input type="checkbox"/> | <input type="checkbox"/> |
| c. During the tax year, did the entity sell or otherwise dispose of more than 50% of its assets other than inventory? | <input type="checkbox"/> | <input type="checkbox"/> |
| d. If the answer to line c is yes, were any of the disposed assets located in Maine at the time of disposition? | <input type="checkbox"/> | <input type="checkbox"/> |
| e. During the year, did the entity enter into any like-kind exchanges under IRC section 1031, or defer income under section 1033? If yes, attach Federal Form 8824..... | <input type="checkbox"/> | <input type="checkbox"/> |
| f. During the tax year, did the entity enter into or receive any payments for installment sale agreements pursuant to IRC section 453?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| g. Was the entity required to report listed or reportable transactions to the IRS on Form 8886 for this tax year? | <input type="checkbox"/> | <input type="checkbox"/> |
| h. Did the entity receive any income (loss) from another pass-through entity (partnership, S-corp, trust or estate)? | <input type="checkbox"/> | <input type="checkbox"/> |
| i. Did the entity report a sale, exchange or involuntary conversion of property on Form 4797? | <input type="checkbox"/> | <input type="checkbox"/> |
| j. If answer to line i is yes, enter the aggregate gross selling price for all properties reported on Form 4797, line 2, column D; line 10; and line 20 | <input type="checkbox"/> | <input type="checkbox"/> |
| | [][] , [][] , [][] , [][] . | .00 |

| Entity Apportionment | A. Maine | B. | C. |
|----------------------|---|---|---|
| | Maine | Everywhere | Maine Sales Factor |
| 4. Total Sales | <input type="text"/> , <input type="text"/> , <input type="text"/> , <input type="text"/> . 00 | <input type="text"/> , <input type="text"/> , <input type="text"/> , <input type="text"/> . 00 | = <input type="text"/> . <input type="text"/> |
| 5. Total Payroll | <input type="text"/> , <input type="text"/> , <input type="text"/> , <input type="text"/> . 00 | <input type="text"/> , <input type="text"/> , <input type="text"/> , <input type="text"/> . 00 | <div></div> |
| 6. Total Property | <input type="text"/> , <input type="text"/> , <input type="text"/> , <input type="text"/> . 00 | <input type="text"/> , <input type="text"/> , <input type="text"/> , <input type="text"/> . 00 | |

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MAINE INFORMATION RETURN
PARTNERSHIPS & S CORPORATIONS



1000803

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Entity Name

Entity FEIN

| | | | |
|--|-----|----------------------------|-----|
| 7. Entity income or loss (see instructions) | 7. | _____, _____, _____, _____ | .00 |
| 8. Total Maine-source income items (see instructions) | 8. | _____, _____, _____, _____ | .00 |
| 9. Total Maine-source deduction items (see instructions) | 9. | _____, _____, _____, _____ | .00 |
| 10. Total Maine income or loss (line 8 minus line 9) | 10. | _____, _____, _____, _____ | .00 |

Maine Subtraction Modifications

| | | | |
|---|-----|----------------------------|-----|
| 11. U. S. government bond interest | 11. | _____, _____, _____, _____ | .00 |
| 12. Interest from Maine bonds | 12. | _____, _____, _____, _____ | .00 |
| 13. Work opportunity credit and empowerment zone credit deduction | 13. | _____, _____, _____, _____ | .00 |
| 14. Income not taxable under the constitution of Maine or the laws of the United States | 14. | _____, _____, _____, _____ | .00 |
| 15. Income from ownership interest in pass-through entity financial institutions | 15. | _____, _____, _____, _____ | .00 |
| 16. Fiduciary adjustment | 16. | _____, _____, _____, _____ | .00 |
| 17. Other Subtraction Modifications: | 17. | _____, _____, _____, _____ | .00 |

Maine Addition Modifications

| | | | |
|---|-----|----------------------------|-----|
| 18. Interest from state and municipal bonds other than Maine | 18. | _____, _____, _____, _____ | .00 |
| 19. Discharge of indebtedness deferred pursuant to IRC § 108(i) | 19. | _____, _____, _____, _____ | .00 |
| 20. Bonus depreciations/§ 179 expense add-back | 20. | _____, _____, _____, _____ | .00 |
| 21. Domestic production activities deduction | 21. | _____, _____, _____, _____ | .00 |
| 22. Other Addition Modifications: | 22. | _____, _____, _____, _____ | .00 |

Maine Withholding

| | | | |
|---|-----|----------------------------|-----|
| 23. Pass-through entity withholding | 23. | _____, _____, _____, _____ | .00 |
|---|-----|----------------------------|-----|

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements and to the best of my knowledge and belief they are true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Officer's signature

Title

Date

Preparer's Signature

Date

Preparer's ID#



File return with: Maine Revenue Services, P.O. Box 1064 Augusta, ME 04332-1064

Office use only _____ LG _____

FORM 1065ME/1120S-ME INSTRUCTIONS

Do not submit photocopies of this form. Do not use red ink.

New for 2010. Form 1065ME/1120S-ME (Maine Information Return for Partnerships and S Corporations) and Schedule PSI (Income of Nonresident Partners/Shareholders) have been changed and Schedule NRC (Income of Nonresident Partners or Shareholders Included in Composite Return) has been eliminated. Among other changes, Form 1065ME/1120S-ME, line 3 has been replaced with new questions. Also, the new form now requests information on entity income, deductions and Maine income modifications. Schedule PSI has also been updated to include Maine-source income, deductions and Maine income modifications.

WHO MUST FILE. Partnerships, and S corporations (including LLCs classified as partnerships or S corporations) filing federal Form 1065 or 1120S that do business in Maine or that have resident partners or shareholders must file. S corporations that have federal taxable income must also file Form 1120ME. Financial institutions organized as partnerships, LLCs, or S corporations - do not file this form. See instructions for Form 1120B-ME. Forms and instructions are available at www.maine.gov/revenue/forms or call 207-624-7894.

Note: Entities with 100 or fewer members who are not individuals or who are nonresident individuals must complete and attach Schedule PSI for each of those members. In addition, entities with more than 100 members must complete a Schedule PSI for each member participating in a composite return. A Schedule PSI must be attached to the composite filing for each participating member. Schedule PSI is available at www.maine.gov/revenue/forms or call 207-624-7894.

WHEN TO FILE. S corporations must file Form 1065ME/1120S-ME by the 15th day of the 3rd month following the close of the taxable year. Partnerships must file Form 1065ME/1120S-ME by the 15th day of the 4th month following the close of the taxable year.

Partnerships and S corporations must file an amended Form 1065ME/1120S-ME and Maine Schedules PSI within 90 days of any change to the entity's net income or to the distributive share of partners or shareholders. Generally, a claim for credit or refund by a partner or shareholder arising from an amended Form 1065ME/1120S-ME must be filed within 3 years from the extended due date for filing Form 1065ME/1120S-ME.

EXTENSION FOR FILING. A Maine extension request form is not required. If you are unable to file your return by the original due date of the return, Maine allows an automatic extension of time to file the return. For an S corporation, the automatic extension is 7 months; for a partnership, the automatic extension is 6 months.

Any partnership or S corporation that fails to file an information return required by Maine Law is liable for a penalty of \$100 if the return is filed within 30 days after receipt of a formal demand from the Assessor. The 30-day filing period is extended to 120 days if the partnership or S corporation requests an extension in writing within the 30-day period. Otherwise, the penalty is \$500.

WHERE TO FILE. Mail the completed form with copies of pages 1-5 of federal Form 1065 or pages 1-4 of federal Form 1120S to Maine Revenue Services, P.O. Box 1064, Augusta, ME 04332-1064. Mail separately from Form 941E-ME.

SPECIFIC INSTRUCTIONS

- If other than a calendar year, enter beginning and ending dates for the tax year covered by the return.
- Indicate the business name and mailing address, including the name of the entity officer or tax matters person to whom correspondence should be addressed. Enter telephone number.
- Check the appropriate business type and attach the corresponding federal forms.
- Indicate if an amended, first or final return. Indicate if name has changed.

LINE 1.

Enter on lines 1a and 1b the number of partners/shareholders who were resident and nonresident or part-year individuals, estates or trusts. On line 1c, enter the total number of all other partners/shareholders not included in lines 1a or 1b.

LINE 2.

Check if the entity has, or will be, filing a composite return for any nonresident partner/shareholder. Generally, a composite return is filed by a partnership or S corporation on behalf of its electing individual nonresident members who have Maine-source income only from the entity. If line 2 is checked, you must **separately** file Form 1040ME along with Schedule 1040C. See MRS Rule 805 at www.maine.gov/revenue/rules for more information about composite filing.

If line 2 is checked, enter on line 2a the number of nonresident partners/shareholders participating in the composite filing. This number must agree with the number of Maine Schedules PSI with the participation in the composite filing box checked.

LINES 4, 5 and 6. Maine Apportionment.

If the business is conducted entirely in Maine (this includes making out-of-state sales that do not create a filing or reporting requirement in any other state) and all partners/shareholders are full-year Maine resident individuals/estates/trusts, leave columns A and B blank for lines 4, 5 and 6 and enter 1.000000 on line 4, column C.

Otherwise, enter the appropriate amounts in columns A and B for lines 4, 5 and 6 and calculate the sales factor for line 4, column C. If an amount for column A or column B is zero, enter zero for that amount. If the entity filing this return received Maine-source income from other pass-through entities, combine the Maine and everywhere amounts received from the entity filing this return with the Maine and everywhere amounts of the other pass-through entities and enter the combined amounts in the appropriate column for lines 4, 5 and 6. For additional guidance, see the instructions to Form 1120ME, Schedule A (corporate income tax apportionment).

Total Payroll (line 5). Enter in Column A total

compensation paid in Maine during the tax period by the entity and enter in column B total compensation paid everywhere by the entity during the tax period. "Compensation" means wages, salaries, commissions and any other form of remuneration to employees for personal services, including deferred compensation. Compensation is paid in Maine if (1) the employee's service is performed entirely within this state; (2) the employee's service is performed both within and outside Maine, but the service performed outside the state is incidental to the employee's service within Maine; or (3) some of the service is performed in this state, the base of operations (or, if there is no base of operations, the place from where the service is directed or controlled) is not in any state in which some part of the service is performed, and the employee's residence is in Maine.

Total Property (line 6). Enter in column A the average value of the entity's real and tangible personal property (including inventory) owned or rented and used in Maine during the tax period. Enter in column B the average value of all the entity's real and tangible personal property (including inventory) owned or rented and used during the tax period. Property owned by the entity is valued at original cost. The average value of the property is determined by averaging the values at the beginning and end of the tax period, but the Assessor may require the averaging of monthly values during the tax period if reasonably required to reflect properly the average value of the entity's property. Property rented by the entity is valued at eight times the net annual rental rate.

LINE 7. Entity income or loss.

Partnerships must enter on this line the total of federal Form 1065, Schedule K, lines 1-13d. S corporations must enter on this line the total of federal Form 1120S, Schedule K, lines 1-12d. If you are not required to complete Schedule K, you must complete a pro forma Schedule K to determine the amount to enter on this line.

LINE 8. Total Maine-source income items.

Partnerships must multiply the total of federal Form 1065, Schedule K, lines 1-11 by the Maine apportionment factor shown on line 4, column C and enter the result on this line. S corporations must multiply the total of federal Form 1120S, Schedule K, lines 1-10 by the Maine apportionment factor shown on line 4, column C and enter the result on this line. If you are not required to complete federal Schedule K, you must complete a pro forma Schedule K to determine the amount to enter on this line.

LINE 9. Total Maine-source deduction items.

Partnerships must multiply the total of federal Form 1065, Schedule K, lines 12, 13c(2) and 13d (excluding itemized deductions reportable on federal Form 1040, Schedule A) by the Maine apportionment factor shown on line 4, column C and enter the result on this line. S corporations multiply the total of federal Form 1120S, Schedule K, lines 11, 12c(2) and 12d (excluding itemized deductions reportable on federal Form 1040, Schedule A) by the Maine apportionment factor shown on line 4, column C and enter the result on this line. If you are not required to complete

federal Schedule K, you must complete a pro forma Schedule K to determine the amount to enter on this line.

Maine Subtraction Modifications

Note: The subtraction modifications that follow do not include a subtraction modification for bonus depreciation and section 179 expense recapture. These subtraction modifications are directly related to the amount of bonus depreciation and section 179 expense addition modifications previously claimed by the partner/member. When an entity reports a bonus depreciation or section 179 expense addition modification to a partner/member, the entity should also report the amounts and schedule for claiming the related subtraction modifications under 36 MRSA §§ 5122(2)(Q), 5122(2)(AA), 5200-A(2)(M) or 5200-A(2)(R). A change in entity ownership will not affect the amount of, or who is eligible to claim, the subtraction modification. The disposition of property placed in service after 2008 for which bonus depreciation was taken, however, generally affects the amount of the subtraction modification that may be claimed in the year of disposition. The entity, therefore, should report a disposition of such property to those partners/members who are entitled to claim an accelerated recapture in that year. For property placed in service during taxable years beginning before 2008, subtraction modifications must be taken based only on the recapture schedules established under 36 MRSA §§ 5122(2)(Q) & 5200-A(2)(M).

For more information, see the guidance document titled *Modifications Related to Bonus Depreciation & Section 179 Expensing* available at www.maine.gov/revenue/incomeestate/guidance.

LINE 11. U.S. Government bond interest.

Enter interest on U.S. bonds, U.S. Treasury notes or other obligations of the U.S. government which, by law, are exempt from state taxation, but taxable by the federal government.

LINE 12. Interest from Maine bonds.

Enter interest from bonds issued by Maine or Maine municipalities and interest from bonds issued by an airport authority chartered in accordance with Maine Title 6, Chapter 10. Include on this line income and capital gains from the sale of bonds issued by the Maine Waste Management Agency.

LINE 13. Work opportunity credit and empowerment zone credit deduction.

Enter on this line the federally disallowed salary and wage expense reported on federal Form 5884, line 2 or Form 8844, line 2 related to the federal work opportunity credit or the empowerment zone credit.

LINE 14. Income not taxable under the constitution of Maine or the laws of the United States.

Enter income this state is prohibited from taxing under the constitution or laws of the United States or the constitution of Maine, to the extent included in federal entity income and to the extent not entered on any other line as a Maine subtraction modification. The amount must be decreased by any expenses incurred in the production of that income to the extent that these expenses are de-

ductible for federal income tax purposes. Attach a worksheet detailing the amount entered on this line.

LINE 15. Income from ownership interest in Pass-Through Entity financial institutions.

Financial institutions are generally subject to Maine's franchise tax, regardless of the entity's organizational structure. Enter on this line the amount of Maine income earned by the entity for this tax year, or received from another pass-through entity, that is subject to the Maine franchise tax.

LINE 16. Fiduciary adjustment (subtraction modifications only).

Enter the entity's share of the fiduciary adjustment (subtraction modifications only) relating to income from an estate or trust (36 MRSA § 5122(3)). Attach a copy of federal Schedule K-1 to verify the entry on this line.

LINE 17. Other subtraction modifications.

Enter on this line the following subtraction modifications:

Northern Maine Transmission Corporation Adjustment. Enter entity income from bonds, notes, other evidences of indebtedness, interest and profits from bonds, notes, other evidences of indebtedness and any other income from the Northern Maine Transmission Corporation.

Gain on Sale of Multifamily Affordable Housing. Enter the total of capital gains and ordinary income resulting from depreciation recapture pursuant to Code sections 1245 and 1250 realized on the sale of multifamily affordable housing property. Qualified property must be certified by the Maine State Housing Authority ("MSHA"). A copy of the MSHA certificate must be attached to the return.

Earnings from fishing operations contributed to a capital construction fund.

Maine Addition Modifications

LINE 18. Interest from state and municipal bonds other than Maine.

Enter the amount of interest received by the entity from state and municipal bonds that originate outside Maine.

LINE 19. Discharge of indebtedness deferred pursuant to IRC § 108(i).

Enter the amount of gain realized during the tax year from the discharge of indebtedness that is being deferred for federal purposes under Internal Revenue Code section 108(i). To avoid duplicating the income for Maine purposes, a deduction modification will be allowed in future years when the income is claimed for federal purposes.

LINE 20. Bonus depreciation/§ 179 expense add-back.

Federal taxable income must be increased by the net effect of bonus depreciation and increase in § 179 expense limits claimed at the federal level. Changes in the § 179 limits include the deduction limit increase from \$25,000 to \$100,000 and the phase-out threshold increase from \$200,000 to \$400,000. The amount of this modification is determined by first recalculating the depreciation deduction and § 179 expense on federal Form 4562 exclusive of all bonus depreciation and § 179 expense increases listed above. Enter on

line 13 the difference between this recalculated depreciation/§ 179 expense and the original depreciation/§ 179 expense claimed for federal income tax purposes. **If the difference is less than zero, enter zero.**

Enclose both the actual and pro forma versions of federal Form 4562. Due to specific recovery subtraction modifications, property expensed under the provisions of § 179 cannot be separately capitalized for Maine purposes. For detailed information and examples, visit www.maine.gov/revenue/incomeestate/guidance.

LINE 21. Domestic production activities deduction.

Enter the amount of the federal domestic production activities deduction applicable to the entity.

LINE 22. Other addition modifications.

Enter on this line the following addition modifications.

Losses, expenses or deductions from ownership interest in financial institutions subject to the Maine franchise tax. Financial institutions are generally subject to Maine's franchise tax, regardless of the entity's organizational structure. If entity income includes a loss, expense, or deduction from an ownership interest in a financial institution that is a pass-through entity (partnership, LLC, S corporation or other entity disregarded as separate from its owner), enter the total amount on this line. Attach federal Schedule K-1 to verify this amount.

High-technology credit income modification.

Enter the amount of investment credit base used for the high-technology credit also claimed as a business expense for federal purposes.

Income taxes imposed by other states. Maine does not allow a deduction for state income taxes in determining Maine taxable income. Enter any income tax imposed on the entity by any other state and that is being reported to the owners as a deduction for federal income tax purposes. Maine generally allows deductions for the Ohio Commercial Activity Tax, the Texas Franchise Tax, and the portions of the Michigan Business Tax that are not based on income, or other similar state business taxes not based on income.

Fiduciary adjustment (addition modifications only).

Enter the entity's share of the fiduciary adjustment (addition modifications only) relating to income from an estate or trust (36 MRSA § 5122(3)). Attach a copy of federal Schedule K-1 to verify the entry on this line.

LINE 23. Pass-through entity withholding.

Enter on this line the amount of Maine income tax withheld from nonresident owners. The amount reported on this line should equal the aggregate amount reported by the entity on Form 941P-ME for the calendar year. Entities whose tax year is other than a calendar year, leave this line blank.

Note: Form 1065ME/1120S-ME and Schedule PSI do not require all tax information partners/members may need to properly file Maine income tax returns. For example, the forms do not include subtraction modifications for bonus depreciation and section 179 expense, nor do the forms require information on applicable Maine business tax credits. Entities should report to partners/members all Maine tax information needed to properly file Maine income tax returns, even if that information is not included on these forms.